



## **US ARMY NAF EMPLOYEE** ***401(k) Savings Plan***



DEFINED CONTRIBUTION PLAN

## INTRODUCTION

This booklet is published by the US Army NAF Employee Benefits Office. It is intended to provide you with useful information about the US Army NAF Employee 401(k) Savings Plan. The information in this booklet is accurate as of the publication date. However, because applicable plan documents change from time to time, should the information in this booklet conflict with the provisions of the NAF Employee 401(k) Savings Plan document, the Plan document is the final authority. The full text of the Plan document can be found in the 401(k) Section of the NAF Benefits web site, [www.nafbenefits.com](http://www.nafbenefits.com).

Should you have any questions concerning the 401(k) Savings Plan, please contact your servicing NAF Personnel Office or forward your questions to this office using the email link from the NAF Benefits web site, [401kplan@fmwrc.army.mil](mailto:401kplan@fmwrc.army.mil).

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## JOINING THE 401(k) SAVINGS PLAN

### WHO MAY PARTICIPATE

You may elect to participate in the savings plan if you are in an “eligible class.” You are eligible if you are:

- a regular full time or regular part time NAF employee working at least 20 hours a week

### **AND**

- working in one of the 50 United States, the District of Columbia, or Puerto Rico.

### **HOWEVER:**

- if you are working overseas, you must be a U.S. citizen or the spouse or child of a U.S. citizen.
- After 12/28/2001, participating employees of the USANAF Retirement Plan who accept appropriated fund employment within 1 year of NAF separation, may exercise their right to remain in the Army NAF Retirement Plan, in accordance with Public Law 107-107. See Portability Handbook in the Portability Section of [www.NAFbenefits.com](http://www.NAFbenefits.com)

(Employees of the Army-Air Force Exchange Service, “leased employees,” and military personnel **may not** participate in the savings plan.)

### WHEN TO JOIN

- Anyone in an eligible class could join effective 1 January 1992.
- All regular employees are permitted to enroll at anytime. There is no waiting period. Deductions will begin at the beginning of a payperiod.

### HOW TO JOIN

You must fill out and sign DA Form 7426 to join the savings plan. This form is available from your Civilian Personnel Office.

## COST OF THE SAVINGS PLAN

Your contributions to the savings plan are tax deferred. This means you do not currently pay Federal income tax or state income tax (subject to the laws of the state where you reside) on your contributions. You do pay Social Security, however, on your contributions. You may contribute as little as 1% of your salary and as much as 100%. Payroll must deduct social security and other mandatory deductions first.

Your contributions are withheld from your salary by payroll deduction. You determine how much you wish to contribute to the savings plan and you may change your contributions as often as every bi-weekly pay period, if you wish.

### **If You Contribute    Your Employer Contributes**

<b>1%</b>	<b>1%</b>
<b>2%</b>	<b>2%</b>
<b>3%</b>	<b>2.5%</b>
<b>4-100%</b>	<b>3%</b>

## INVESTMENT OPTIONS AVAILABLE

You decide how to invest your savings plan account from the ten investment options available:

### **Retirement Money Market Portfolio.**

- **Offers an opportunity for preservation of capital and low risk with a nominal return.**

*Fidelity Retirement Money Market Portfolio is a money market fund, which seeks as high a level of current income as is consistent with the preservation of capital and liquidity. It invests in high quality, short-term money market securities of U.S. and foreign issuers. While the portfolio seeks to maintain a \$1.00 share price, there is no assurance that it will be able to do so. An investment in the portfolio is not insured or guaranteed by the U.S. government. The portfolio's yield will fluctuate. Retirement Money Market Portfolio is a relatively conservative, low-risk investment.*

## **U.S. Bond Index Fund**

- **Offers an opportunity to assume greater risk (and potential reward) by way of a managed portfolio of bonds and/or other debt securities.**

*Fidelity U.S. Bond Index Portfolio is an income fund. It seeks investment results that correspond to the aggregate price and interest performance of the debt securities in the Lehman Brothers Aggregate Bond Index. The fund invests in investment grade (medium to high quality) or similar quality securities, including U.S. Treasury or government securities and corporate bonds. The Aggregate Bond Index is comprised of the Lehman Brothers Government Bond Index, Corporate Bond Index, and Mortgage-Backed Securities Index. Dividend amounts will vary. The Portfolio's share price, yield and return will fluctuate.*

## **Asset Manager Index Fund**

- **Offers an opportunity to obtain higher total return with greater risk by allocating its assets among domestic and foreign equities, bonds and short-term instruments.**

*Asset Manager is an asset allocation fund. It seeks high total return with reduced risk over the long term by allocating its assets among domestic and foreign (including emerging markets which involve greater risks) equities, bonds and short-term instruments. The fund may gradually shift its assets among and across these groups, within the following investment parameters; 10-60% in stocks; 20-60% in bonds; and 0-70% in short-term instruments. Over the long term, the Fund's allocation will generally fluctuate around a neutral mix of 40% stocks, 40% bonds, and 20% short-term instruments. Dividend amounts will vary. Share price, yield and return will fluctuate.*

## **U.S. Equity Index Portfolio**

- **It seeks investment results that correspond to the total return performance of United States' publicly traded common stocks.**

*The Fidelity U.S. Equity Index Portfolio is a growth and income fund. Total return performance is the combination of capital changes and income. The Portfolio aims to keep transaction costs and other expenses low. It attempts to duplicate the composition and total return of the Standard & Poor's Composite Index of 500 Stocks (S&P 500). Many investments made by Fidelity U.S. Equity Index Portfolio offer the potential for both dividend income and capital appreciation over the long*

term. Share price and return will vary. You may have a gain or loss when you sell your shares.

## **Growth and Income Fund**

- **Offers an opportunity to assume even more risk (and potential reward) by way of a managed portfolio of stocks.**

*Growth and Income Portfolio is a growth and income fund. It seeks high total return through a combination of current income and capital appreciation. It invests primarily in U.S. And foreign stocks, focusing on those that pay current dividends and offer potential growth of earnings, such as common stocks, securities convertible into common stocks, preferred stocks and fixed-income securities. Dividend amounts will vary. The portfolio's share price and return will fluctuate.*

## **Growth Company Fund**

- **Offers an opportunity to invest primarily in common stocks and securities convertible into common stock with greater risk.**

*Growth Company fund is a growth fund. It seeks long-term capital appreciation by investing primarily in common stocks and securities convertible into common stocks. It may invest in companies of any size with above-average growth potential though growth is most often sought in smaller, less well known companies in emerging areas of the economy. The stocks of small companies often involve more risk than those of larger companies. The Fund's share price and return will fluctuate.*

## **Overseas Fund**

- **Offers and opportunity to invest in foreign securities.**

*Overseas fund is an international growth fund. It seeks long term capital growth primarily through investments in foreign securities. These investments may include common stock and securities convertible into common stock, as well as debt instruments. Normally, at least 65% of the Fund's total assets will be invested in securities of issuers from at least three different countries outside of North America. It is important to remember that foreign investments pose greater risks and potential rewards than US investments. The risks include political and economic uncertainties of foreign countries as well as the risk of currency fluctuations. The Fund's share price and return will fluctuate.*

### **Dodge & Cox Stock Fund**

*A growth and income fund designed to provide long-term growth of principal and income. A secondary objective is to provide reasonable current income. It invests in a broadly diversified portfolio of common stocks. The fund will invest at least 80% of its total assets in common stocks. The fund may also purchase other types of securities, such as preferred or convertible stocks. The fund may also invest up to 20% of its assets in U.S. dollar-denominated foreign securities. Foreign securities involve greater risks. Share price and return will vary.*

### **T.Rowe Price Small-Cap Stock Fund**

*A growth mutual fund which seeks to provide long-term capital growth by investing primarily in stocks of small companies. The fund invests at least 65% of total assets in stocks and equity-related securities of small companies. A small company is defined as having a market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. Stock selection may reflect either a growth or value investment approach. While investing in small to medium-sized companies is generally riskier than investments in more established companies, it may offer greater capital appreciation potential. Investments in smaller companies may involve greater risks than those of larger, more well-known companies. Share price and return will vary.*

### **T. Rowe Price Retirement Funds (Life Cycle Funds)**

*The T. Rowe Price Retirement Fund is a family of funds specifically designed for those who would prefer to have their investment professionally managed. The Fund, often referred to as a Life Cycle Fund, is a combination of mutual funds, which invest in a combination of bonds and stocks to provide the safety of diversity. There are several funds to choose from within the Retirement Fund, numbered in five year increments from 2005 thru 2045. The fund number you select should correspond to that which is closest to your retirement year, assuming a retirement age of 65. For example, if you will turn 65 in 2015, your money would be invested in the Retirement 2015 Fund, which would have an investment mix that seeks to provide a certain level of return at a certain level of risk, that would be appropriate for someone who would be retiring in 2015. The share price and return will vary with each fund and with market conditions.*



*Updated fund performance information is provided to participants every 3 months with statements of account or you can check your statement on the Fidelity NetBenefits web site at [www.401k.com](http://www.401k.com)*

## **PARTICIPATION BEGINS**

After your DA Form 7426 is processed, you will see a deduction for 401(k) on your leave and earnings statement.

When you join the savings plan, all of your contributions (100%) will be initially placed in the ***Retirement Money Market fund***, the default fund. After you see the deduction for the 401(k) savings plan on your leave and earnings statement, you must call the Fidelity Investments toll free telephone line or access your account on line at [www.401k.com](http://www.401k.com) to select the funds in which you wish to invest your contributions.

## **CHANGING YOUR INVESTMENT OPTIONS**

You may change your investment options any business day from 8:30 a.m. to 8:00 p.m., E.S.T. by calling Fidelity Investments. All calls are toll free from anywhere in the world. Toll Free from CONUS 1-800-835-5093, from overseas call AT&T direct and then 877-833-9900. You may also change your investment options on line, 24 hours a day, at [www.401k.com](http://www.401k.com). The Fidelity Customer Service Representative and the NetBenefits web site, [www.401k.com](http://www.401k.com) will provide you with instructions to change your investment options. You must select how you want your contributions to be allocated among the available funds, and you may allocate how you want your existing account balance allocated among the available funds. To assist you in selecting the funds in which you want your money invested, the NetBenefits web site contains information on each fund and its historical rates of return.

## **CHANGING YOUR DEFERRAL PERCENTAGE**

You may change your level of participation (the percent of pay you deposit in the savings plan) at any time. To change your deferral percent, see your servicing civilian personnel office and complete DA Form 7426. The change will be effective for the next full pay period after submitting your request.

## **SUSPENDING PARTICIPATION**

You may suspend your participation in the savings plan and stop making contributions at any time by filling out DA Form 7426. Participation is automatically suspended if you terminate employment or if you become ineligible because of a change in employment status.

Suspension of participation also occurs when you enter a Leave Without Pay status (LWOP). Upon returning to a pay status, your 401(k) contributions will continue. You cannot make up lost employee and employer contributions for periods of LWOP.

Suspension also occurs for 6 months after you receive a hardship withdrawal (explained later in this booklet).

## **VESTING**

When you are vested you are entitled to the value of your employer's contributions to your account when you retire or terminate your employment.

You will be vested:

- After you have been employed as a U.S. Army NAF employee in a regular status for three years, regardless of participation time.
- Upon your death, regardless of your age or the amount of time you have been employed as a regular U. S. Army NAF employee.
- Upon approved disability, regardless of your age or the amount of time you have been employed as a regular U.S. Army NAF employee.
- Upon reaching age 62, regardless of the amount of time you have been employed as a U.S. Army NAF employee.

## **TERMINATION OF EMPLOYMENT**

Your employment may terminate in the following ways: You may resign, be terminated or affected by a reduction due to a business based action, or you may die.

If you are separated for any reason, you may:

- Request a lump sum payment of your entitlement to benefits. This payment is subject to 20% Federal withholding tax. If you have not yet reached the age of 59 ½, the IRS imposes an additional 10% penalty for early withdrawal.
- If your account balance is over \$1000.00, you may elect to delay receipt of a lump sum payment of your benefits. You will be assessed the annual record keeping fees (currently \$4.25 per quarter). This fee is paid by the Plan as long as you are actively employed.
- Rollover your funds to an individual IRA or to another employer's qualified savings plan. This election is not subject to Federal withholding tax or penalties.

If you die while still employed:

- Your designated beneficiary will receive a death benefit of 100% of the value of your account. If your spouse is your beneficiary, they are entitled to rollover the balance of your account into an individual IRA. The IRS does not permit non-spouse beneficiaries to rollover these funds.

#### ENTITLEMENT

- If you **are vested**, you are entitled to 100% of your contributions, those of your employer, investment earnings, and anything in your rollover account.
- If you **are not vested**, you are entitled to 100% of your contributions, investment earnings on your contributions, and anything in your rollover account. (See the section entitled **Rollovers**.) (Employer contributions and earnings are forfeited).

#### REQUESTING YOUR ENTITLEMENT

The only time you may request payment of your entitlement to benefits under the savings plan is when you terminate your employment or retire. You may call Fidelity Investments to request a payout of your account, 30 days after you separate employment. Payouts cannot be processed prior to 30 days after separation.

## MANDATORY DISTRIBUTION OF ENTITLEMENT

If you terminate employment and your account balance is less than \$1,000 (diminimus account balance), the IRS requires that your account balance be paid to you. Mandatory payout of diminimus accounts will occur during the month of November each year, provided you have been separated more than 90 days prior to the payout date. You will be notified in writing of the impending payout and provided the option to roll over your account balance to avoid taxation on the distribution.

If you are retired, you must receive the IRS minimum required distribution (MRD) amount from your account by 1 April following the year in which you reach age 70 1/2 or retire, **whichever is LATER**. Please contact Fidelity Investments by your 70<sup>th</sup> birthday to inquire on the amount you must have distributed to meet the IRS regulations. A 50% tax penalty is imposed by the IRS if you fail to meet this requirement. This provision does not apply to actively employed participants until they separate regular employment.

Retirees approaching their 70<sup>th</sup> birthday who have not notified Fidelity of their election to withdraw or roll over their account balances will be notified of the requirement to receive their MRD (Minimum Required Distribution), and the MRD will automatically be distributed by Fidelity Investments. This automatic feature of the Plan is designed to prevent the tax penalty imposed on Retirees who have attained age 70 1/2 but who have not commenced withdrawal of their account balance.

## YOUR SAVINGS PLAN ACCOUNT

If you join the savings plan, the following accounts will be established:

- Your employee account, which will contain your contributions and your earnings from those contributions.
- Your rollover account, if appropriate, which will contain any rollover contribution or transfer from a former employer's qualified 401(k) plan.
- Your employer account, which will contain contributions made by your employer in your name and earnings from those contributions.

If you participate in the savings plan, you will receive a quarterly statement, which gives you a record of your account. This statement will include balances in your employee, employer, and rollover accounts, as well as contributions, changes or transfers you have requested, hardship withdrawals, and earnings or losses. Your statement is also available from the NetBenefits web site, [www.401k.com](http://www.401k.com).

## **ROLLOVERS**

If you had a qualifying 401(k) type savings plan with a former employer, including the Thrift Savings Plan used by Federal employees, you may request that the value of that plan be transferred to the rollover account of your NAF 401(k) Savings Plan. The former employer's plan must be qualified, and be exempt from taxation, under IRS rules in order to qualify for transfer to the savings plan.

If you terminate your NAF employment you may elect to roll over your distribution to an IRA or other qualified plan, including the Thrift Savings Plan. Normally, rollovers are accomplished directly between plans, so that you don't actually take possession of the funds. However, if you do take possession of the funds from your 401(k) account, you must complete the rollover to another qualified plan within the time permitted by law (currently 60 days from the date payment is made) to avoid a 10% tax penalty. If you have reached age 59 1/2, there is no 10% penalty when you receive your distribution, but the distribution is subject to Federal, state and local taxes unless rolled over into an IRA or other qualified plan.

You should contact Fidelity for assistance in arranging a rollover.

## **FORFEITURE OF EMPLOYER ACCOUNT AND RESTORATION**

- If you terminate your employment, are not vested, and you withdraw your account balance, you forfeit your employer account.

- If however, you are reemployed in an Army NAF position before the end of 5 years after your termination, your employer account will be restored.

## **MAXIMUM CONTRIBUTIONS**

By law the Internal Revenue Service (IRS) sets the maximum amount you may contribute to the savings plan during any calendar year. This limit applies to all deferred contributions you make under this savings plan AND any other tax deferred plan in which you may participate during a calendar year. For 2007, the employee contribution limit is \$15,500. This amount is adjusted each year by the IRS. The current limit can be found on the NAF Benefits web site.

If your total deferred contributions exceed the limit in any calendar year, you are responsible for asking the Benefits Program Manager to return the excess contributions to you. Your request must be made in writing no later than 1 March following the year in which you made the excess contributions. Upon your written request, the Benefits Program Manager must return the excess contributions to you by 15 April. If you do not request that the excess contributions be returned to you, you will be taxed on the excess twice—once in the year of deferral and again when the excess is distributed from the savings plan.

If your annual base salary is more than 10 times the IRS limit, you should keep the annual contribution limit in mind when deciding how much you will contribute to the savings plan each pay period. You could lose the opportunity to receive some employer contributions if you reach the annual maximum too quickly. This is because, depending on how much you contribute, your employer contributes up to 3% of your basic pay each pay period to your account. If you reach the annual limit before the end of the year, your contributions (and your employer contributions) will stop. As a result, you will not get the full amount of employer contributions that you could receive if your own contributions had been slightly less each pay period, but had continued over every pay period throughout the entire year.

## **OVER 50 CATCH UP CONTRIBUTIONS**

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) authorizes 401(k) Plan participants who are age 50 or older to make additional catch-up tax deferred contributions to their plans. In 2007, you may contribute \$5000.00 over the IRS maximum of \$15,500.00, or

\$20,500.00 if you are age 50 or older. You are considered to be 50 years old if you attain that age anytime during the tax year.

## **HOW TO CALCULATE YOUR MAXIMUM DEFERRAL**

It is to the employee's advantage to spread their contributions over the 26 or 27 pay periods in the year to achieve the maximum contribution at the end of the year. If you attain the maximum prior to the end of the year, contributions will automatically stop, as will the employer match for the remainder of the year. To maximize your investment, divide your deferral limit (\$15,500 for under 50; \$20,500 for 50 and over) by your annual salary and round down to the nearest whole percent. You should attempt to anticipate any cost of living increase or performance award. About mid-year, it would be wise to review your calculation and make any necessary adjustment to your contribution percentage, based on remaining salary, remaining pay periods, and the amount of the contribution limit still remaining.

To get as close to the maximum deferral limit as possible, you may want use the 401(k) projection spreadsheet to calculate this deferral percentage at [www.nafbenefits.com](http://www.nafbenefits.com)

## **YOUR BENEFITS UNDER THE 401(k) SAVINGS PLAN**

### **RETIREMENT**

When you retire from NAF employment, you will receive a benefit equal to 100% of your entitlement. Fidelity Investments will give you information about your benefit at that time. If you elect to leave your 401(k) Plan contributions in the Plan with Fidelity Investments Inc. after you separate employment, you will be assessed the quarterly record-keeping fee (currently \$4.25 per quarter). The fee will be deducted from your account each quarter, as long as your account is open.

### **DISABILITY**

If you are disabled, provide medical documentation by your attending physician, and obtain approval by a qualified medical authority selected by the Benefits Program Manager, you may request a benefit equal to 100% of the value of your entitlement, regardless of how long you have been a regular U.S. Army NAF employee. You will receive payment in a lump sum. EBB Form 766R, which is available from your civilian personnel office or from the Employee Benefits Office, must be used to provide the required medical documentation.

## DEATH

If you die, your designated beneficiary will be entitled to 100% of your entitlement. If you have not designated a beneficiary, your account balance will be transferred to your spouse or if none, then your estate.

### TAX ADVANTAGES

Under the savings plan, you may elect to have your employer make a payroll deduction of a portion of your salary and contribute this amount directly to the savings plan on your behalf. These contributions are not reported as taxable income for Federal income tax purposes on your W-2 form. Most states, counties, and towns also defer your contributions from their income taxes; but some do not. As of the publication date of this booklet, New Jersey and Puerto Rico do not exclude 401(k) deferral amounts from taxation. Your contributions are not exempt from Social Security taxes. Your W-2 form will show you if taxes are deferred by the state, county, city or town where you live.

Since these contributions reduce your W-2 earnings, the result is an income tax savings for you. For example, if you earn \$30,000 a year, and put 10% of your pay into the savings plan, you pay Federal income taxes on \$27,000, rather than on \$30,000.

You do not pay tax on these contributions until you receive a distribution from the savings plan—usually at retirement—a time when you may be in a lower tax bracket.

The contributions your employer makes to the savings plan are also tax deferred and are not taxable to you until you receive a distribution. You are, of course, not entitled to your employer's contributions until you are vested.

### A WORD ABOUT SOCIAL SECURITY



Your contributions to the savings plan reduce your total taxable income. This means that Federal and, usually, state income taxes are reduced, but Social Security taxes are not affected. Even though pre-tax dollars are put into the savings plan, they must be counted in determining your employer's and your Social Security FICA taxes. This allows employees to get credit for full salary toward their Social Security benefits at retirement or if disabled.

## LOAN PROGRAM

You can borrow money from your 401(k) Savings Plan account. This process only takes a telephone call to Fidelity Investments on the toll free number. ***You are permitted up to 2 personal loans and one residential loan at one time, provided no more than two loans are taken during a twelve month period.***

The 401(k) Savings Plan was designed to help you save for retirement. However, we realize that there may be times when you'll need to obtain some of your money before you retire.

### Who Can Take Out a Loan?

Any active, paid employee of the U.S. Army who is participating in the U.S. Army NAF 401(k) Savings Plan is eligible to borrow from the Plan.

### What Are the Rules to Borrow Money?

- You must have at least \$2,000.00 "vested" in your Plan account
- You can take out up to 3 loans (2 personal loans and 1 principle residence loan)
- The smallest loan you may take out is \$1,000.00
- The maximum you may borrow is fifty percent of the vested value of your account or \$50,000.00, whichever is less

- You decide how much time you'll need to repay your loan up to a maximum of five years. (If the loan is for the down-payment on your principal residence, you may take up to fifteen years to repay the loan.
- The interest rate you will pay is the prime interest rate plus 1 %.

### **Do I Need to Pay Back the Money I Borrow?**

Yes, the Internal Revenue Service (IRS) requires that you repay any money you borrow from your 401(k) Savings Plan Account. Loans will be repaid only by payroll deduction on the schedule that you arranged with Fidelity Investments, within the IRS guidelines. Former NAF employees who convert to APF and elect to continue participation in the NAF 401(k) Savings Plan under the Portability of Benefits legislation must make loan repayment by authorizing bi-weekly bank transfer of the required loan payments. Employees who have outstanding loans when they convert to GS employment should contact the 401(k) Savings Plan Program Manager in the Benefits Office to arrange for loan repayments to recommence by bank transfer. *Loan repayment may not be made by payroll deduction if you are paid as an appropriated fund employee.* If you terminate employment, you must pay the balance of any outstanding loan. If the loan balance has not been repaid by your termination date, periodic payments will be discontinued, and the loan will go into default.

Due to tax penalties for defaulting on a loan, it is important to repay any loans you take out. Additionally, repaying a loan makes sure that any money you borrow is returned to your account so that it is available to earn more money when invested and ensures that all of your savings are there when you need it at retirement. Should you default on a loan, the balance of the loan and the unpaid interest will be reported to the IRS as an early distribution and you will be liable for taxes plus a 10% penalty in the year of the default.

### **When Can I Request a Loan?**

Almost anytime of the day or night. The toll free number is open to help you with automated service virtually 24 hours a day, 7 days a week. If you prefer to speak with a retirement services representative, call Monday through Friday between 8:30 a.m. and 8:00 p.m. eastern time. You may also arrange for a loan on the Fidelity NetBenefits web site.

### **Can I Still Contribute to the Plan While Paying Back a Loan?**

Yes, you may continue to contribute to the Plan while you are paying back your loan. There is no participation penalty for loan withdrawals.

## **HARDSHIP WITHDRAWALS**

Hardship withdrawals from your account are permitted under the IRS "Safe Harbor Rules". The IRS recognizes the following hardships:

- Certain medical expenses for you, your spouse, or your dependent
- Purchase (excluding mortgage payments) of your principal residence.
- Payment of tuition for the next semester or quarter of post-secondary education for you, your spouse, or your dependents.
- Payment to prevent eviction from your principal residence or foreclosure on the mortgage on your principal residence.
- Death of a family member.
- Natural Disaster Relief (such as Katrina).

Hardship withdrawal should be a last resort in the event of a personal financial crisis. The IRS imposes penalties for hardship withdrawals. Because it is a withdrawal, rather than a loan, the amount of the hardship withdrawal will be taxed in the current year and a 10% penalty will be imposed for early withdrawal. Additionally, the IRS requires that you have exhausted all other means of withdrawal, including maximum use of the loan program.

The IRS also requires that your participation in the savings plan be suspended for six months. After your six month suspension, you may resume contributions, however the maximum you may contribute in the year following the year in which you make the withdrawal will be reduced by the amount you contributed in the year you made the withdrawal. For example, if you make a withdrawal in March 2003, you may not contribute to the savings plan until Sept 2003, and the maximum you are permitted to contribute in 2004 will be reduced by the amount you contributed in January, February, and March 2003. Once you make a hardship withdrawal and your contributions stop for 6 months, it is the employee's responsibility to return to their personnel office to re-enroll in the plan.

If you need to apply for a hardship withdrawal, contact Fidelity Investments on their toll free telephone number.

## PORTABILITY OF RETIREMENT BENEFITS

Certain appropriated fund employees are eligible to participate in the U.S. Army NAF Employee 401(k) Savings Plan, if they meet the eligibility requirements set forth by Public Law 101-508, Public Law 104-106 or Public Law 107-107. If you are eligible to continue participation in the U.S. Army NAF Retirement Plan due to Public Law 101-508, 104-106 or 107-107, then you are also eligible to participate in the U.S. Army NAF Employee 401(k) Savings Plan. If you sign RI 38-134, making a lifetime election to participate in the U.S. Army NAF Retirement Plan, then you are not ever eligible to participate in the Thrift Savings Plan again, but you may participate in the US. Army NAF 401(k) Savings Plan. (See the section entitled **Eligibility** under **Retirement Benefits** for more information.) For additional information on portability of benefits, please visit the Portability of Benefits section at [www.NAFbenefits.com](http://www.NAFbenefits.com)

## YOUR 401(K) SAVINGS PLAN

Your 401(k) Savings Plan is an important and valuable benefit provided by your employer. It is an integral part of your retirement planning and a valuable asset to help you achieve financial security in retirement.

We hope that this booklet is helpful to you in managing this valuable benefit. Should you need additional information, please consult the 401(k) Section of the NAF Benefits web site, [www.nafbenefits.com](http://www.nafbenefits.com), visit your servicing civilian personnel office or call Fidelity Investments or the NAF Benefits Office.

## WHERE TO GET INFORMATION AND ASSISTANCE

Fidelity Investments

Toll free numbers

From CONUS 1-800-835-5093

From overseas call AT&T Direct Access Code and then 877-833-9900

NetBenefits web site, [www.401k.com](http://www.401k.com).

US Army NAF Employee Benefits Office

P.O. Box 100057

Arlington, VA 22210-3057

1-877-384-2340 or 703-681-7262 or DSN 761-7262

NAF Benefits web site, [www.nafbenefits.com](http://www.nafbenefits.com)